SUBMISSION

TO THE

SENATE STANDING COMMITTEE ON BANKING, TRADE AND COMMERCE

ON

BILL C-129 (AIR CANADA PUBLIC PARTICIPATION ACT)

Presented by the Canadian Labour Congress

August 2, 1988

Submission to the Senate Standing Committee on Banking, Trade and Commerce

On behalf of its two million members, including more than 15,000 of Air Canada's 22,000 employees, the Canadian Labour Congress (C.L.C.) welcomes this opportunity to present its views on Bill C-129 (Air Canada Public Participation Act).

In the days ahead the Committee will hear from those of our affiliates directly affected by Bill C-129. The International Association of Machinists and Aerospace Workers (I.A.M.A.W.), the Airline Division of the Canadian Union of Public Employees (C.U.P.E.) and the Airline Division (Local 2213) of the Canadian Auto Workers (C.A.W.) will explain in detail why this proposed legislation to privatize Air Canada is a real threat both to their members and to Canadians as a whole.

The C.L.C. wishes today to address what we see as the misguided principles behind Bill C-129. We intend to underline the concerns of our members and to illustrate why this ill-conceived legislation must not be realized.

Air Canada, as the nation's only Government-owned and controlled airline, is a critical component of Canada's social and economic fabric. Our sparse population, spread across a vast geography, means that civil aviation in this country is an essential public utility.

Most Canadians believe that the federal Government has an important role to play in assuring that air transportation continues to play its part in this country's overall development.

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Canadians expect the federal government to ensure that commercial air transport is as safe as possible, that it provides adequate levels of service at reasonable prices to all communities and that it is a stable industry, providing positive employment to Canadians.

In the past, federal governments have recognized this public expectation of a reliable and effective air transportation industry in many ways -- by owning and operating airports, through the provision of air traffic control and safety inspection of commercial carriers, through regulation of the industry and, perhaps most notably, through direct ownership of air carriers. What, then, is the rationale behind the Government's determination to remove itself from the traditional and vital role it has played in Canada's airline industry?

The Legislation

Bill C-129 provides for the continuance of Air Canada with the authority to "issue and sell or otherwise dispose of shares of the Corporation". [Section 8(2)]. Nowhere is the extent of this authorization outlined, although there have been assurances by the Government that public ownership will not exceed forty-five per cent.

By opening the Corporation to public investment Air Canada hopes to raise the necessary capital to undergo a major fleet renewal. Such a "fund raising" exercise has drastic implications for the future of the airline, its employees and the Canadian public.

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The Rationale

The sale of Crown Corporations is premised on the current Government's belief that government should take a less active role in providing services to Canadians.

In 1987, the Minister of State for Privatization (then the Honourable Barbara McDougall) set out the Government's criteria in privatizing Crown corporations.[1.] To escape being put on the auction block any nationally owned company must: 1) serve a public policy purpose; 2) not contribute to the national debt and; 3) remain competitive with similar private sector organizations.

Air Canada meets all these criteria and yet it is being offered up for sale.

1) The Public Policy Purpose

Transportation policy has always been a cornerstone of nation building in Canada. The importance of transportation generally, and civil aviation in particular, in meeting the country's social and economic needs has been given legislative recognition in various federal Acts - notably the National Transportation Act and the Aeronautics Act.

Thus public policy has properly established air transport as a service directed towards the achievement of national objectives such as the provision of transnational links, the reduction of regional disparities, the strengthening of east-west communications and the promotion of northern development.

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1. Luncheon address to Canadian Club of Montreal, May 4, 1987.

Clearly, Air Canada's very existence is mandated on public service.

2) A Burden to the National Debt?

Over the past decade, Air Canada has reported a profit every year but two. It has not received any direct government subsidies for a quarter of a century.

Air Canada is a profitable corporation, often outdoing its competitors. There were no significant differences in economic efficiency for example, between Air Canada and CP Air in 1982.

Far from being a financial burden, Air Canada generates revenue for the Government. In this era of fiscal restraint it is difficult to understand why Air Canada's profits are being handed over to the private sector.

Still, the Government appears determined to reduce its role in this important and viable enterprise.

3) Is Air Canada Competitive?

With the onset of deregulation in the transportation industry it has been suggested that Air Canada will not be able to remain competitive with companies "unfettered" by government interference.

Although Air Canada is accountable to Parliament and indeed all Canadians, there has never been evidence of direct interference in its daily activities. Decisions concerning the renewal of its fleet or other expansion programmes are not and should not be political choices, but are part of Air Canada's corporate responsibility.

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This being said, Air Canada should not be freed of its obligations to the Canadian public in order to pursue such goals.

Air Canada has sought to have Parliament release it from this accountability through Bill C-129. It has argued that in order to fulfill its corporate mandate it must finance new endeavours through public share purchases.

There are other means of raising operating capital, however, that have not been seriously considered by the company. Long-term debt issuing, leasing arrangements with other corporations, manufacturer's financing and, if necessary, additional government financing are options that should be considered seriously in an effort to avoid the dismantling of our national airline.

Why Privatize?

Crown corporations such as Air Canada are different from private enterprises in that they fulfill public policy objectives in addition to commercial ones. They are often a source of national pride and identity and can lead the way in progressive employee relations.

The C.L.C. believes the policy function of our national airline to be of fundamental importance.

In contrast, privatization is part of a wider Government agenda that includes deregulation, contracting-out, and a general reduction in the Government's involvement in the economic and social frabric of this country.

Air Canada has already begun to reduce some of its domestic routes linking smaller communities. More will go as the pursuit of profit takes over a commitment to service.

The task before this committee is not to determine the best method for Air Canada to raise money, but is rather to ask whether it is desirable to maintain in this country public enterprises that are guided by strategic policy goals.

Air Canada must not be privatized until a detailed analysis is undertaken regarding the effects of such a move on the corporation's ability to serve in the public interest. In the absence of such a study, Bill C-129 should be grounded.

Respectfully submitted on behalf of the
Canadian Labour Congress

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